

**Tennessee Board of Regents  
Northeast State Technical Community College**

**For the Years Ended  
June 30, 1997, and June 30, 1996**

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October 12, 1998

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, Tennessee 37217

and

Dr. William W. Locke, President  
Northeast State Technical Community College  
P.O. Box 246  
Blountville, Tennessee 37617

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Northeast State Community College, for the years ended June 30, 1997, and June 30, 1996. You will note from the independent auditor's report that a qualified opinion was given on the fairness of the presentation of the financial statements. The college has elected not to record the liability for accrued compensated absences in its financial statements. In our opinion, accrued compensated absences should be recorded to conform with generally accepted accounting principles.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/lb  
98/035

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Northeast State Technical Community College**  
For the Years Ended June 30, 1997, and June 30, 1996

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## AUDIT FINDINGS

The audit report contains no findings.

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is qualified because of the omission of the liability for accrued compensated absences from the financial statements.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report**  
**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**For the Years Ended June 30, 1997, and June 30, 1996**

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**Tennessee Board of Regents  
Northeast State Technical Community College  
For the Years Ended June 30, 1997, and June 30, 1996**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Northeast State Technical Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**BACKGROUND**

In March 1963, the General Assembly passed House Bill 633 authorizing the establishment of a statewide system of area vocational-technical schools and regional technical schools. Tri-Cities State Area Vocational School began operations in 1966 and became a technical institute on July 1, 1978.

Until July 1, 1983, Tri-Cities State Technical Institute operated under the Tennessee State Board of Vocational Education through the Tennessee Department of Education, Division of Vocational-Technical Education. At that time, the 93rd General Assembly transferred the governance of Tri-Cities State Technical Institute to the State Board of Regents.

Effective July 1, 1990, the General Assembly granted community college status to Tri-Cities State Technical Institute and changed its name to Northeast State Technical Community College. An articulation agreement with four-year institutions was obtained allowing students at Northeast State Technical Community College to transfer credits earned toward a four-year degree. Northeast State Technical Community College also offers two-year, college-level programs to prepare adults for employment as technicians in engineering, physical science, and computer science. These two-year programs lead to an associate of engineering, associate of science, or associate of applied science degree. Also, the institute offers special programs and courses to meet the needs of industry, business, and government.

## ORGANIZATION

The governance of Northeast State Technical Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

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## AUDIT SCOPE

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The audit was limited to the period July 1, 1995, through June 30, 1997, and was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the years ended June 30, 1997, and June 30, 1996. Northeast State Technical Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVES OF THE AUDIT

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The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.



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## **PRIOR AUDIT FINDINGS**

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The college filed its report with the Department of Audit on September 15, 1997. A follow-up of all prior audit findings was conducted as part of the current audit.

## **RESOLVED AUDIT FINDINGS**

The current audit disclosed that the college has corrected previous audit findings concerning the reporting of enrollment changes to Stafford loan program lenders and the inadequacy of the Title IV refund policy.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 1997, and June 30, 1996, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Reportable conditions, along with recommendations and management's responses, are detailed in the findings and recommendations. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Fairness of Financial Statement Presentation

The college has elected not to accrue the liability for compensated absences. Since this accounting practice is contrary to generally accepted accounting principles, the Division of State Audit has rendered a qualified opinion on the college's financial statements.

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

March 26, 1998

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Northeast State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1997, and June 30, 1996, and have issued our report thereon dated March 26, 1998. Our report was qualified because the college omitted the liability for accrued compensated absences from the balance sheets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable W. R. Snodgrass  
March 26, 1998  
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We did, however, note certain immaterial instances of noncompliance that we have reported to the college's management in a separate letter.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the college's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/lb

## **Independent Auditor's Report**

March 26, 1998

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of Northeast State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1997, and June 30, 1996, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the college has omitted the liability for accrued compensated absences from the accompanying balance sheets which should be included to conform with generally accepted accounting principles.

In our opinion, except for the effects of not including the liability for accrued compensated absences in the accompanying balance sheets, as discussed in the preceding paragraph, the

The Honorable W. R. Snodgrass  
March 26, 1998  
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Northeast State Technical Community College, as of June 30, 1997, and June 30, 1996, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 1998, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/lb

TENNESSEE BOARD OF REGENTS  
NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE  
BALANCE SHEETS  
JUNE 30, 1997, AND JUNE 30, 1996

<u>ASSETS</u>	<u>June 30, 1997</u>	<u>June 30, 1996</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 1997</u>	<u>June 30, 1996</u>
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash and cash equivalents (Notes 3 and 4)	\$ 1,540,537.24	\$ 1,330,716.41	Liabilities:		
Accounts receivable (net of allowance of \$8,683.98 at June 30, 1997, and \$6,664.81 at June 30, 1996)	117,632.88	105,851.08	Accounts payable	\$ 114,159.91	\$ 120,172.23
Inventories	19,406.76	11,566.06	Accrued liabilities	714,020.19	513,316.92
Prepaid expenses	21,950.03	7,630.36	Deferred revenue	316,175.50	304,922.00
Due from restricted current funds	<u>80,903.29</u>	<u>7,440.36</u>	Other liabilities	<u>3,103.95</u>	<u>3,103.95</u>
			Total liabilities	<u>1,147,459.55</u>	<u>941,515.10</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	53,175.85	13,683.60
			Allocation for encumbrances	87,356.06	77,707.73
			Allocation for designated appropriations	5,308.53	5,032.16
			Discretionary allocation:		
			Allocation for subsequent budget	243,129.82	197,824.30
			Unallocated	<u>244,000.39</u>	<u>227,441.38</u>
			Total fund balances	<u>632,970.65</u>	<u>521,689.17</u>
Total general	<u>1,780,430.20</u>	<u>1,463,204.27</u>	Total general	<u>1,780,430.20</u>	<u>1,463,204.27</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and cash equivalents (Notes 3 and 4)	186,793.94	107,611.17	Fund balances:		
Accounts receivable	<u>15,860.96</u>	<u>-</u>	Nondiscretionary allocation:		
			Allocation for working capital	15,860.96	-
			Discretionary allocation:		
			Allocation for contingencies	5,002.30	4,041.27
			Unallocated	<u>181,791.64</u>	<u>103,569.90</u>
Total auxiliary enterprises	<u>202,654.90</u>	<u>107,611.17</u>	Total auxiliary enterprises	<u>202,654.90</u>	<u>107,611.17</u>
Total unrestricted	<u>1,983,085.10</u>	<u>1,570,815.44</u>	Total unrestricted	<u>1,983,085.10</u>	<u>1,570,815.44</u>
Restricted:			Restricted:		
Accounts and grants receivable	<u>132,307.31</u>	<u>159,392.27</u>	Liabilities:		
			Accounts payable	24,608.37	42,637.01
			Due to unrestricted current funds	<u>80,903.29</u>	<u>7,440.36</u>
			Total liabilities	<u>105,511.66</u>	<u>50,077.37</u>
			Fund balance	<u>26,795.65</u>	<u>109,314.90</u>
Total restricted	<u>132,307.31</u>	<u>159,392.27</u>	Total restricted	<u>132,307.31</u>	<u>159,392.27</u>
Total current funds	<u>\$ 2,115,392.41</u>	<u>\$ 1,730,207.71</u>	Total current funds	<u>\$ 2,115,392.41</u>	<u>\$ 1,730,207.71</u>
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash and cash equivalents (Notes 3 and 4)	<u>\$ 577,304.97</u>	<u>\$ 653,178.30</u>	Liabilities:		
			Accounts payable	\$ 2,304.36	\$ 70,548.00
			Fund balance:		
			Unrestricted (Note 6)	<u>575,000.61</u>	<u>582,630.30</u>
Total unexpended plant	<u>577,304.97</u>	<u>653,178.30</u>	Total unexpended plant	<u>577,304.97</u>	<u>653,178.30</u>
Renewals and replacements:			Renewals and replacements:		
Cash and cash equivalents (Notes 3 and 4)	<u>214,349.84</u>	<u>235,459.52</u>	Fund balance:		
			Unrestricted	<u>214,349.84</u>	<u>235,459.52</u>
Total renewals and replacements	<u>214,349.84</u>	<u>235,459.52</u>	Total renewals and replacements	<u>214,349.84</u>	<u>235,459.52</u>
Retirement of indebtedness:			Retirement of indebtedness:		
Cash and cash equivalents (Notes 3 and 4)	<u>73,721.34</u>	<u>73,696.34</u>	Liabilities:		
			Accrued interest payable	1,935.00	4,048.33
			Fund balance:		
			Unrestricted	<u>71,786.34</u>	<u>69,648.01</u>
Total retirement of indebtedness	<u>73,721.34</u>	<u>73,696.34</u>	Total retirement of indebtedness	<u>73,721.34</u>	<u>73,696.34</u>
Investment in plant:			Investment in plant:		
Land	1,936,571.79	1,936,571.79	Liabilities:		
Buildings	13,093,215.66	13,091,555.66	Notes payable (Note 7)	<u>90,000.00</u>	<u>200,000.00</u>
Improvements other than buildings	287,077.95	269,442.95	Fund balance:		
Equipment	6,588,807.77	5,978,884.27	Net investment in plant	<u>23,905,501.55</u>	<u>22,389,360.67</u>
Library books	1,381,488.00	603,780.00			
Construction in progress	246,076.38	-			
Library holdings	<u>462,264.00</u>	<u>709,126.00</u>			
Total investment in plant	<u>23,995,501.55</u>	<u>22,589,360.67</u>	Total investment in plant	<u>23,995,501.55</u>	<u>22,589,360.67</u>
Total plant funds	<u>\$ 24,860,877.70</u>	<u>\$ 23,551,694.83</u>	Total plant funds	<u>\$ 24,860,877.70</u>	<u>\$ 23,551,694.83</u>

TENNESSEE BOARD OF REGENTS  
NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE  
BALANCE SHEETS  
JUNE 30, 1997, AND JUNE 30, 1996

	<u>June 30, 1997</u>	<u>June 30, 1996</u>		<u>June 30, 1997</u>	<u>June 30, 1996</u>
<b>ASSETS</b>			<b>LIABILITIES AND FUND BALANCES</b>		
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash and cash equivalents (Notes 3 and 4)	\$ <u>134,072.72</u>	\$ <u>157,249.33</u>	Liabilities:		
			Accounts payable	-	1,951.49
			Deposits held in custody for others	<u>134,072.72</u>	<u>155,297.84</u>
Total nonfoundation funds	<u>134,072.72</u>	<u>157,249.33</u>	Total nonfoundation funds	<u>134,072.72</u>	<u>157,249.33</u>
Foundation funds:			Foundation funds:		
Cash and cash equivalents (Notes 3 and 4)	207,831.65	169,167.06	Liabilities:		
Investments (Note 5)	1,429,891.04	1,294,844.19	Accounts payable	2,850.00	3,523.90
Accrued interest receivable	<u>1,660.52</u>	<u>2,901.15</u>	Deposits held in custody for foundation	<u>1,636,533.21</u>	<u>1,463,388.50</u>
Total foundation funds	<u>1,639,383.21</u>	<u>1,466,912.40</u>	Total foundation funds	<u>1,639,383.21</u>	<u>1,466,912.40</u>
Total agency funds	\$ <u>1,773,455.93</u>	\$ <u>1,624,161.73</u>	Total agency funds	\$ <u>1,773,455.93</u>	\$ <u>1,624,161.73</u>

The notes to the financial statements are an integral part of this statement.



TENNESSEE BOARD OF REGENTS  
NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997

	Current Funds		Plant Funds			
	Unrestricted	Restricted	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>						
Unrestricted current fund revenues	\$ 11,836,317.33	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	100,046.03	-	-	-	-	-
State appropriations	-	90,325.00	273,684.34	-	-	-
Federal grants and contracts	-	2,584,344.58	-	-	-	-
State grants and contracts	-	447,355.86	-	-	-	-
Local grants and contracts	-	6,128.38	-	-	-	-
Private gifts, grants, and contracts	-	141,445.36	-	-	-	-
Investment income	-	-	34,266.36	-	5,023.33	-
Equipment use charges	-	-	-	12,992.46	-	-
Expended for plant facilities (including \$1,024,120.34 charged to current fund expenditures)	-	-	-	-	-	1,274,628.51
Retirement of indebtedness	-	-	-	-	-	110,000.00
Library holdings revaluation (Note 13)	-	-	-	-	-	363,892.63
Total revenues and other additions	<u>11,936,363.36</u>	<u>3,269,599.18</u>	<u>307,950.70</u>	<u>-</u>	<u>5,023.33</u>	<u>1,748,521.14</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>						
Educational and general expenditures	11,658,318.00	3,310,784.02	-	-	-	-
Indirect costs recovered	-	21,130.75	-	-	-	-
Refunded to grantors	-	20,203.66	-	-	-	-
Expended for plant facilities	-	-	247,736.38	2,771.79	-	-
Expended for noncapital items	-	-	33,577.65	23,340.19	-	-
Retirement of indebtedness	-	-	-	-	110,000.00	-
Interest on indebtedness	-	-	-	-	6,861.67	-
Equipment inventory adjustments	-	-	-	-	-	232,380.26
Total expenditures and other deductions	<u>11,658,318.00</u>	<u>3,352,118.43</u>	<u>281,314.03</u>	<u>26,111.98</u>	<u>116,861.67</u>	<u>232,380.26</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</b>						
Mandatory:						
Principal and interest	(119,000.00)	-	-	-	119,000.00	-
Nonmandatory:						
Unrestricted current funds	52,282.15	-	(34,266.36)	(12,992.46)	(5,023.33)	-
Renewals and replacements	(5,002.30)	-	-	5,002.30	-	-
Total transfers	<u>(71,720.15)</u>	<u>-</u>	<u>(34,266.36)</u>	<u>(7,990.16)</u>	<u>113,976.67</u>	<u>-</u>
Net increases (decreases) for the year	206,325.21	(82,519.25)	(7,629.69)	(21,109.68)	2,138.33	1,516,140.88
Fund balances at beginning of year	<u>629,300.34</u>	<u>109,314.90</u>	<u>582,630.30</u>	<u>235,459.52</u>	<u>69,648.01</u>	<u>22,389,360.67</u>
Fund balances at end of year	<u>\$ 835,625.55</u>	<u>\$ 26,795.65</u>	<u>\$ 575,000.61</u>	<u>\$ 214,349.84</u>	<u>\$ 71,786.34</u>	<u>\$ 23,905,501.55</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCE:  
FOR THE YEAR ENDED JUNE 30, 1996

	Current Funds		Plant Funds			
	Unrestricted	Restricted	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>						
Unrestricted current fund revenues	\$ 11,194,327.98	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	80,825.38	-	-	-	-	-
State appropriations	-	92,300.00	185,611.13	-	-	-
Federal grants and contracts	-	2,539,077.06	-	-	-	-
State grants and contracts	-	555,048.03	-	-	-	-
Local grants and contracts	-	6,926.11	-	-	-	-
Private gifts, grants, and contracts	-	122,753.77	-	-	-	-
Investment income	-	-	17,391.12	15,644.12	3,587.77	-
Equipment use charges	-	-	-	43,000.00	-	-
Expended for plant facilities (including \$864,643.62 charged to current fund expenditures)	-	-	-	-	-	1,123,621.58
Retirement of indebtedness	-	-	-	-	-	135,000.00
Capital lease acquisition	-	-	-	-	-	1,500.00
Total revenues and other additions	<u>11,275,153.36</u>	<u>3,316,104.97</u>	<u>203,002.25</u>	<u>58,644.12</u>	<u>3,587.77</u>	<u>1,260,121.58</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>						
Educational and general expenditures	11,119,938.67	3,233,083.50	-	-	-	-
Indirect costs recovered	-	22,999.03	-	-	-	-
Refunded to grantors	-	15,391.50	-	-	-	-
Expended for plant facilities	-	-	157,670.10	101,307.86	-	-
Expended for noncapital items	-	-	98,489.03	10,133.66	-	-
Retirement of indebtedness	-	-	-	-	135,000.00	-
Interest on indebtedness	-	-	-	-	17,568.36	-
Equipment inventory adjustments	-	-	-	-	-	118,339.33
Library holdings revaluation	-	-	-	-	-	106,626.64
Total expenditures and other deductions	<u>11,119,938.67</u>	<u>3,271,474.03</u>	<u>256,159.13</u>	<u>111,441.52</u>	<u>152,568.36</u>	<u>224,965.97</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</b>						
Mandatory:						
Principal and interest	(170,000.00)	-	-	-	170,000.00	-
Nonmandatory:						
Unrestricted current funds	15,531.89	-	-	(11,944.12)	(3,587.77)	-
Unexpended plant	(395,608.88)	-	395,608.88	-	-	-
Renewals and replacements	(4,041.27)	-	-	4,041.27	-	-
Total transfers	<u>(554,118.26)</u>	<u>-</u>	<u>395,608.88</u>	<u>(7,902.85)</u>	<u>166,412.23</u>	<u>-</u>
Net increases (decreases) for the year	(398,903.57)	44,630.94	342,452.00	(60,700.25)	17,431.64	1,035,155.61
Fund balances at beginning of year	<u>1,028,203.91</u>	<u>64,683.96</u>	<u>240,178.30</u>	<u>296,159.77</u>	<u>52,216.37</u>	<u>21,354,205.06</u>
Fund balances at end of year	<u>\$ 629,300.34</u>	<u>\$ 109,314.90</u>	<u>\$ 582,630.30</u>	<u>\$ 235,459.52</u>	<u>\$ 69,648.01</u>	<u>\$ 22,389,360.67</u>

The notes to the financial statements are an integral part of this statement

TENNESSEE BOARD OF REGENTS  
NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1997

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Tuition and fees	\$ 3,187,355.00	\$ -	\$ 3,187,355.00
State appropriations	7,612,400.00	154,658.96	7,767,058.96
Federal grants and contracts	28,468.75	2,571,575.93	2,600,044.68
State grants and contracts	-	455,351.33	455,351.33
Local grants and contracts	-	6,497.19	6,497.19
Private gifts, grants, and contracts	816,634.82	122,700.61	939,335.43
Sales and services of auxiliary enterprises	100,046.03	-	100,046.03
Other sources	191,458.76	-	191,458.76
Total current revenues	<u>11,936,363.36</u>	<u>3,310,784.02</u>	<u>15,247,147.38</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general expenditures:			
Instruction	6,250,945.71	894,805.28	7,145,750.99
Public service	843,124.80	593.38	843,718.18
Academic support	780,560.09	25,348.89	805,908.98
Student services	1,086,243.62	326,440.01	1,412,683.63
Institutional support	1,494,730.45	6,385.07	1,501,115.52
Operation and maintenance of plant	1,119,466.10	-	1,119,466.10
Scholarships and fellowships	83,247.23	2,057,211.39	2,140,458.62
Total educational and general expenditures	<u>11,658,318.00</u>	<u>3,310,784.02</u>	<u>14,969,102.02</u>
Educational and general transfers:			
Mandatory transfer for:			
Principal and interest	119,000.00	-	119,000.00
Nonmandatory transfers for:			
Unexpended plant	(34,266.36)	-	(34,266.36)
Renewals and replacements	(12,992.46)	-	(12,992.46)
Retirement of indebtedness	(5,023.33)	-	(5,023.33)
Total educational and general	<u>11,725,035.85</u>	<u>3,310,784.02</u>	<u>15,035,819.87</u>
Auxiliary enterprises:			
Nonmandatory transfer for:			
Renewals and replacements	5,002.30	-	5,002.30
Total auxiliary enterprises	<u>5,002.30</u>	<u>-</u>	<u>5,002.30</u>
Total expenditures and transfers	<u>11,730,038.15</u>	<u>3,310,784.02</u>	<u>15,040,822.17</u>
<b>OTHER DEDUCTIONS</b>			
Excess of transfers to revenues over			
restricted receipts	-	(41,184.84)	(41,184.84)
Indirect costs recovered	-	(21,130.75)	(21,130.75)
Refunded to grantors	-	(20,203.66)	(20,203.66)
Net increase (decrease) in fund balances	<u>\$ 206,325.21</u>	<u>\$ (82,519.25)</u>	<u>\$ 123,805.96</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1996

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Tuition and fees	\$ 3,001,665.30	\$ -	\$ 3,001,665.30
State appropriations	7,382,800.00	41,146.72	7,423,946.72
Federal grants and contracts	29,003.03	2,517,188.18	2,546,191.21
State grants and contracts	-	541,514.48	541,514.48
Local grants and contracts	-	6,926.11	6,926.11
Private gifts, grants, and contracts	595,183.83	126,308.01	721,491.84
Sales and services of auxiliary enterprises	80,825.38	-	80,825.38
Other sources	185,675.82	-	185,675.82
Total current revenues	<u>11,275,153.36</u>	<u>3,233,083.50</u>	<u>14,508,236.86</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general expenditures:			
Instruction	6,148,663.41	801,069.56	6,949,732.97
Public service	630,775.55	30,196.98	660,972.53
Academic support	689,197.57	16,227.29	705,424.86
Student services	1,137,027.39	355,620.85	1,492,648.24
Institutional support	1,325,176.91	2,168.05	1,327,344.96
Operation and maintenance of plant	1,083,192.67	2,000.00	1,085,192.67
Scholarships and fellowships	105,905.17	2,025,800.77	2,131,705.94
Total educational and general expenditures	<u>11,119,938.67</u>	<u>3,233,083.50</u>	<u>14,353,022.17</u>
Educational and general transfers:			
Mandatory transfer for:			
Principal and interest	170,000.00	-	170,000.00
Nonmandatory transfers for:			
Auxiliary enterprises	(300,000.00)	-	(300,000.00)
Unexpended plant	395,608.88	-	395,608.88
Renewals and replacements	(11,944.12)	-	(11,944.12)
Retirement of indebtedness	(3,587.77)	-	(3,587.77)
Total educational and general	<u>11,370,015.66</u>	<u>3,233,083.50</u>	<u>14,603,099.16</u>
Auxiliary enterprises:			
Nonmandatory transfers for:			
Educational and general	300,000.00	-	300,000.00
Renewals and replacements	4,041.27	-	4,041.27
Total auxiliary enterprises	<u>304,041.27</u>	<u>-</u>	<u>304,041.27</u>
Total expenditures and transfers	<u>11,674,056.93</u>	<u>3,233,083.50</u>	<u>14,907,140.43</u>
<b>OTHER ADDITION (DEDUCTIONS)</b>			
Excess of restricted receipts over transfers to revenues	-	83,021.47	83,021.47
Indirect costs recovered	-	(15,391.50)	(15,391.50)
Refunded to grantors	-	(22,999.03)	(22,999.03)
Net increase (decrease) in fund balances	<u>\$ (398,903.57)</u>	<u>\$ 44,630.94</u>	<u>\$ (354,272.63)</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents  
Northeast State Technical Community College  
Notes to the Financial Statements  
June 30, 1997, and June 30, 1996**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The college is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

**Basis of Presentation**

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The college uses the AICPA College Guide model for accounting and financial reporting.

**Basis of Accounting**

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as (1) expenditures, for normal replacement of movable equipment and library holdings, (2) mandatory transfers, for required debt amortization and interest, and (3) nonmandatory transfers, for all other cases.

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

**Current Funds**

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the bookstore and food services. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes, (2) funds set aside for the renewal and replacement of institutional properties, (3) funds set aside for debt service charges and for the retirement of the indebtedness on institutional properties, and (4) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

**Inventories**

Inventories are valued at the lower of cost or market on an average-cost or first-in, first-out basis.

**Allocation for Working Capital**

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

**Plant Assets**

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books and other library holdings are valued at various standardized values which approximate current costs. Library books are valued at \$48 per volume at June 30, 1997, and \$20 per volume at June 30, 1996. Depreciation on the physical plant and equipment is not recorded.

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

**Northeast State Technical Community College Foundation**

The college is the sole beneficiary of the Northeast State Technical Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are handled by the college, and the assets and liabilities of the foundation are included in the agency funds on the college's balance sheet.

**NOTE 2. COMPENSATED ABSENCES**

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. Generally accepted accounting principles require that certain accrued compensated absences and related benefits, the effects of which are material to the financial statements, be recorded as earned. The college's policy is to record such benefits as paid. The recognition of this liability for accrued compensated absences and related benefits would have increased the liabilities of the unrestricted current fund by \$372,111.31 at June 30, 1997, and \$379,605.52 at June 30, 1996, decreased the unrestricted current fund expenditures by \$7,494.21 for the year ended June 30, 1997, and increased the unrestricted current fund expenditures by \$53,401.91 for the year ended June 30, 1996.

**NOTE 3. CASH AND CASH EQUIVALENTS**

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 1997, cash and cash equivalents consisted of \$263,576.26 in bank accounts, \$925.00 of petty cash on hand, \$34,153.47 of certificates of deposit, and \$2,635,956.97 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1996, cash and cash equivalents consisted of \$75,293.93 in bank ac-



**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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counts, \$925.00 of petty cash on hand, \$3,684.32 of certificates of deposit, and \$2,647,174.88 in the State of Tennessee Local Government Investment Pool.

**NOTE 4. DEPOSITS**

The bank balances of certain deposits including accrued interest as of the balance sheet dates were entirely insured or collateralized with securities held by the college's agent in the college's name. The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

The college's remaining deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

**NOTE 5. INVESTMENTS**

The Northeast State Technical Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. Investments are valued at cost, or in the case of gifts, at fair value on the date of receipt. Certificates of deposit have been included with other deposits in Note 3 to determine the adequacy of collateral security pledged.

The foundation's investments are categorized below to indicate the level of risk assumed by the foundation at year-end. Category 1 consists of insured or registered investments or investments for which the securities are held by the foundation or its agent in the foundation's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the foundation's name. Category 3 consists of uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the foundation's name.

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

June 30, 1997

	<u>Carrying Amount</u>	<u>Market Value</u>
Category 1:		
U.S. government securities	\$ 128,618.25	\$ 128,690.64
Investments not susceptible to credit risk categorization:		
Mutual funds	<u>1,301,272.79</u>	<u>1,423,822.38</u>
Total investments on the balance sheet	<u>\$1,429,891.04</u>	<u>\$1,552,513.02</u>

June 30, 1996

	<u>Carrying Amount</u>	<u>Market Value</u>
Category 1:		
U.S. government securities	\$ 194,139.05	\$ 193,851.28
Investments not susceptible to credit risk categorization:		
Mutual funds	<u>1,100,705.14</u>	<u>1,110,935.51</u>
Total investments on the balance sheet	<u>\$1,294,844.19</u>	<u>\$1,304,786.79</u>

**NOTE 6. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 1997, amounted to \$14,044.31 for unexpended plant. Plant fund encumbrances outstanding at June 30, 1996, amounted to \$1,500.00 for unexpended plant.

**NOTE 7. NOTES PAYABLE**

The Tennessee Board of Regents, on behalf of the college, borrowed funds to purchase computer and telephone equipment. The notes bear annually adjusted interest rates of 5.625% and 6.4% of the prime rate (not to exceed 6.9%), face amounts of \$600,000 and \$130,000, minimum annual debt services of \$100,000 and \$15,000, and due dates of September 1997 and September 2002. The balance owed by the college was \$90,000 at June 30, 1997, and \$200,000 at June 30, 1996.

The college's debt service requirements to maturity for all notes payable at June 30, 1997, are as follows:

**Tennessee Board of Regents  
Northeast State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1997, and June 30, 1996**

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Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$15,000.00	\$ 5,325.00	\$ 20,325.00
1999	15,000.00	4,365.00	19,365.00
2000	15,000.00	3,405.00	18,405.00
2001	15,000.00	2,445.00	17,445.00
2002	15,000.00	1,477.50	16,477.50
2003	<u>15,000.00</u>	<u>495.00</u>	<u>15,495.00</u>
Total	<u>\$90,000.00</u>	<u>\$17,512.50</u>	<u>\$107,512.50</u>

**NOTE 8. PENSION PLANS**

**A. Defined Benefit Plan**

During the year ended June 30, 1997, the college implemented GASB Statement 27, "Accounting for Pensions by State and Local Government Employers." In accordance with that statement, at transition it was determined that a pension liability or asset does not exist for this plan.

**Tennessee Consolidated Retirement System**

Plan Description - The college contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202, extension 139.

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 7.36% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 1997, 1996, and 1995, were \$285,077.82, \$228,224.93, and \$230,397.90. Contributions met the requirements for each year.

**B. Defined Contribution Plans**

**Optional Retirement Plans (ORP)**

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans for the year ended June 30, 1997, was \$256,813.79, which represented 10% of the covered payroll, and for the year ended June 30, 1996, was \$240,449.99, which represented 9.99% of the covered payroll. Contributions met the requirements for each year.

**NOTE 9. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 10. INSURANCE-RELATED ACTIVITIES**

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1997, and June 30, 1996, the scheduled coverage for the college was \$13,818,600 for buildings and \$4,814,400 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have

**Tennessee Board of Regents**  
**Northeast State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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been incurred but not reported. Employees and providers have 13 months to file medical claims.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$1,794,584.02 at June 30, 1997, and \$1,505,296.87 at June 30, 1996.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$118,949.52 and for personal property were \$78,669.11 for the year ended June 30, 1997. The amounts for the year ended June 30, 1996, were \$95,487.00 and \$68,783.39. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 1997, outstanding commitments under construction contracts totaled \$69,319.90 for the planning phase of a library building, replacement of a heating and air unit, and reroofing the shop buildings, which will be funded by future state capital outlay appropriations.

Questioned Costs - As of June 30, 1997, the college had not resolved \$3,044.70 of questioned costs resulting from prior audits. Final resolution of these questioned costs will be determined by the grantor.

**NOTE 12. PLEDGES**

At June 30, 1997, unrecorded pledges totaled \$408,251.85 and were restricted to scholarships. These pledges are due to be collected over the following fiscal years:

**Tennessee Board of Regents  
Northeast State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1997, and June 30, 1996**

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Year Ending <u>June 30</u>	<u>Amount</u>
1998	\$ 24,982.13
1999	13,276.32
2000	12,266.32
2001 and beyond	<u>357,727.08</u>
Total	<u>\$408,251.85</u>

It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

**NOTE 13. CHANGE IN ESTIMATE OF LIBRARY HOLDINGS STANDARDIZED VALUES**

At June 30, 1996, library books were valued at \$20 per volume, and other library holdings were valued at various standardized values. The valuations were reassessed at June 30, 1997, and the value for library books was increased to \$48 per volume, and the standardized values for other library holdings were also increased/decreased by various amounts. As a result of the revaluation, library holdings increased by \$363,892.63, and net investment in plant, under the investment in plant fund sub-group, increased by \$363,892.63 at June 30, 1997.